



FIGURE 2

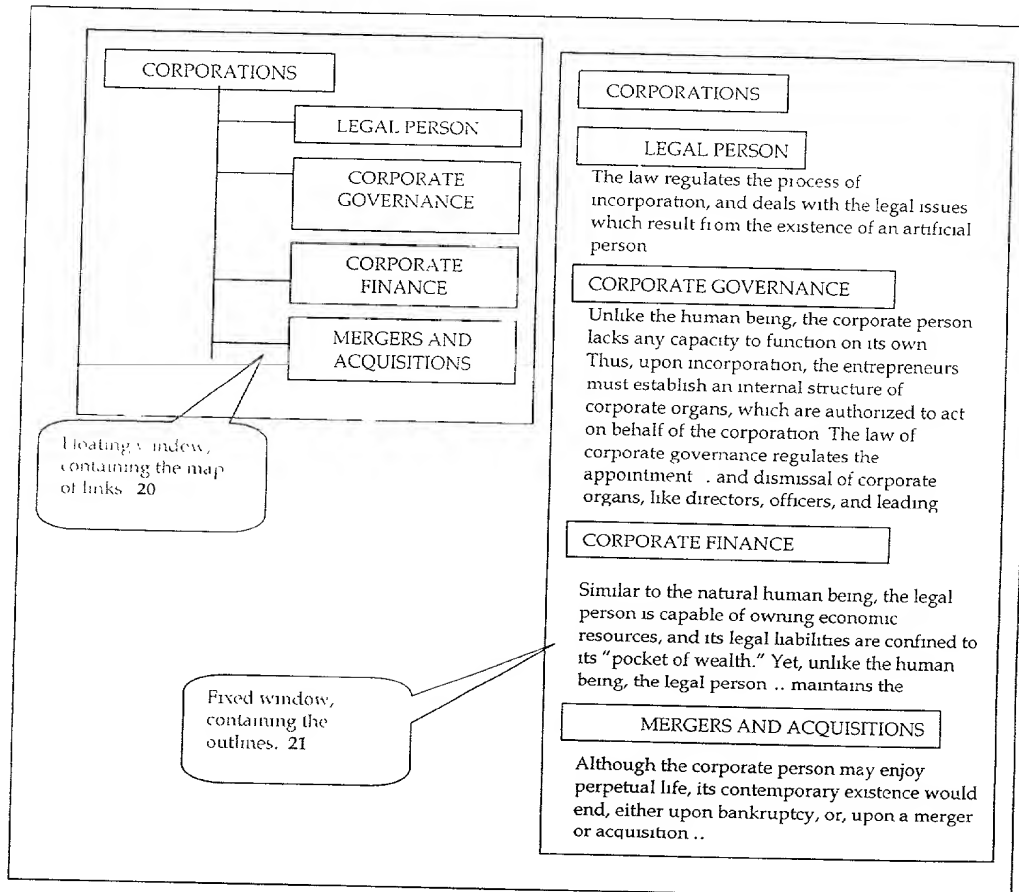


Figure 3

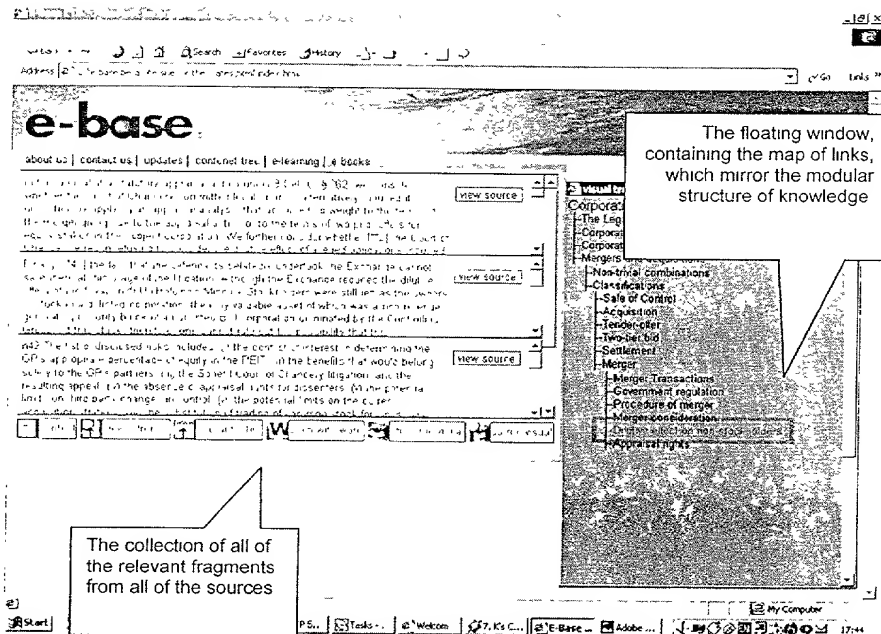


Figure 4

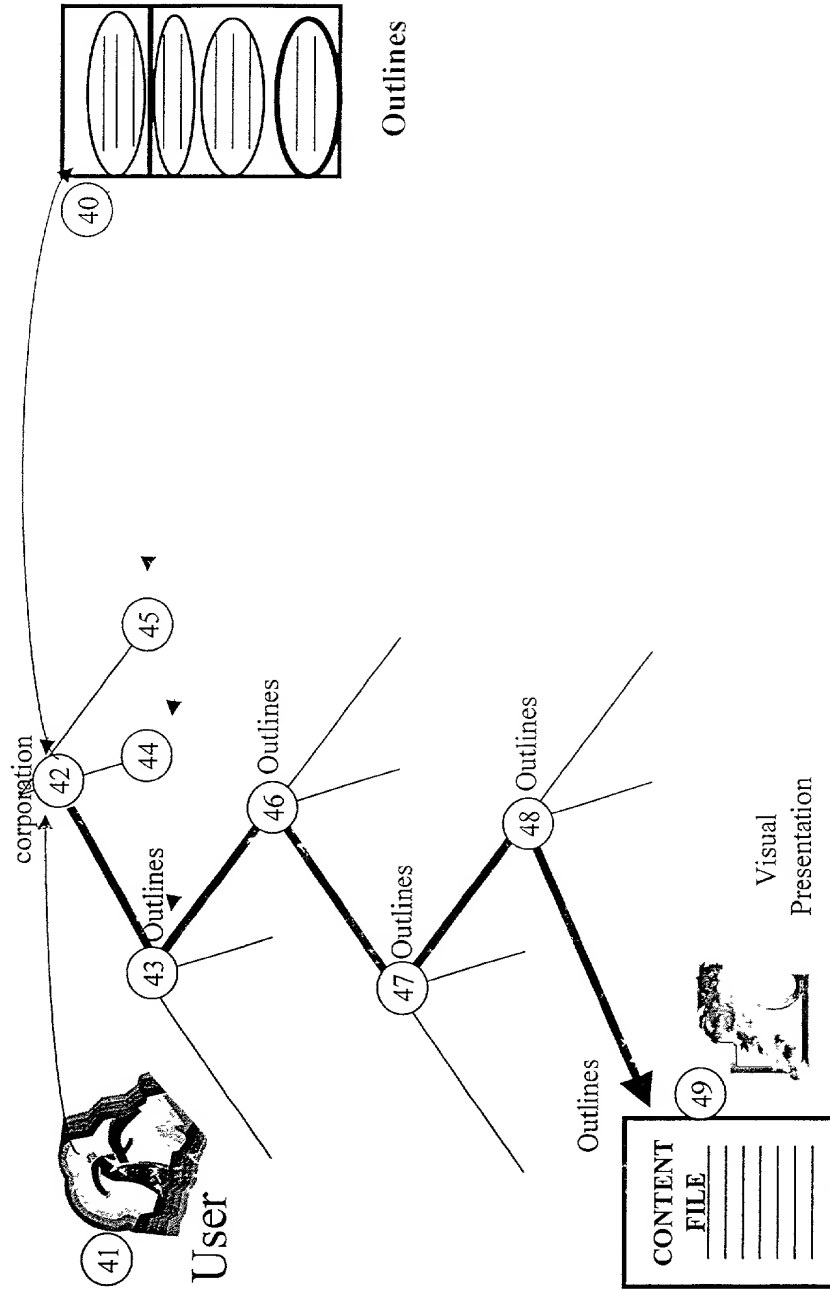


Figure 5A  
Manual Preparations

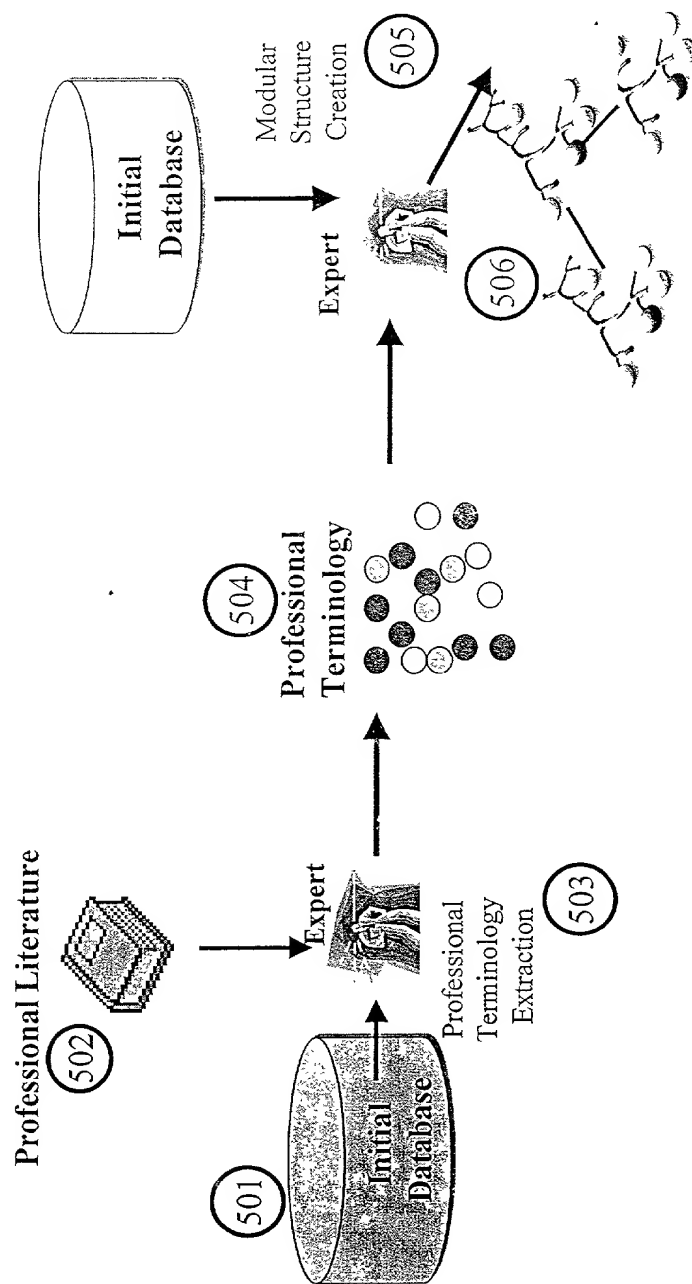




Figure 6

Node name: "Controlling Share"

ענין כלל תעשיות (ע"מ ב. לאווי פא.) ע"א 70/92 פ"ד מז 1329(2): 61

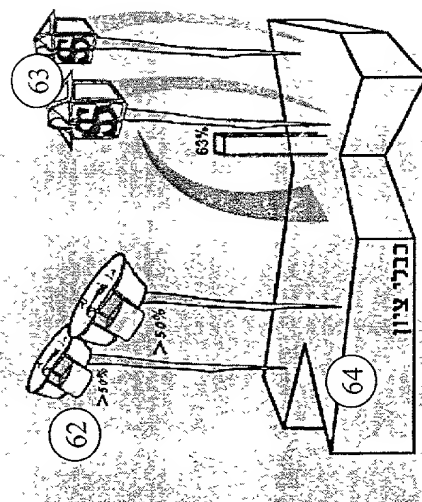
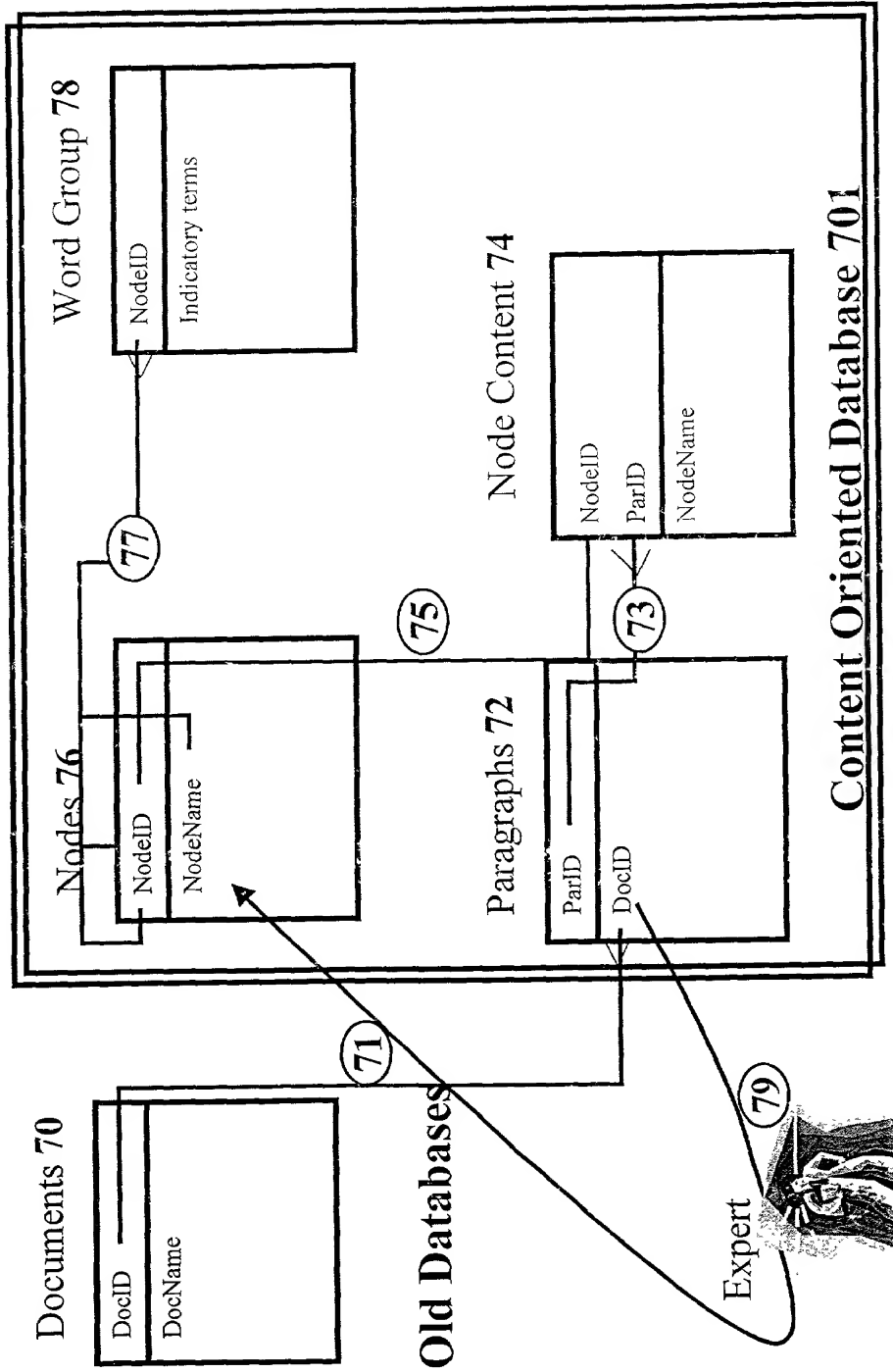


Figure 7





[illegible]

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Figure 8.2

The division of the text into paragraphs.

File Name: Gaylord Container.rtf

IN RE GAYLORD CONTAINER CORPORATION SHAREHOLDERS LITIGATION

Consolidated Civil Action No 14616

COURT OF CHANCERY OF DELAWARE, NEW CASTLE

747 A.2d 71;1999 Del Ch. LEXIS 175

July 27, 1999, Date Submitted

August 10, 1999, Date Decided

SUBSEQUENT HISTORY:

[\*\*1]

Released for Publication by the Court August 27, 1999. Cover Page Revised October 25, 1999. As Corrected March 14, 2000.

DISPOSITION:

Defendants' objection to class certification denied.

COUNSEL:

Joseph A. Rosenthal, Esquire, Carmella P. Keener, Esquire, of ROSENTHAL, MONHAIT, GROSS & GODDESS, Wilmington, DE; OF COUNSEL: Steven G. Schulman, Esquire, Edith M. Kallas, Esquire, Cary L. Talbot, Esquire, of MILBERG WEISS BERSHAD HYNES & LERACH, New York, New York; Stephen Ramos, Esquire, of BERGER & MONTAGUE, Philadelphia, PA, Attorneys for Plaintiffs.

William O. LaMotte III, Esquire, Karen Jacobs Loudon, Esquire, S. Mark Hurd, Esquire, of MORRIS, NICHOLS, ARSHT & TUNNELL, Wilmington, DE; OF COUNSEL: Thomas O. Kuhns, Esquire, Timothy A. Duffy, Esquire, of KIRKLAND & ELLIS, Chicago, IL, Attorneys for Individual Defendants.

Lewis H. Lazarus, Esquire, of MORRIS, JAMES, HITCHENS & WILLIAMS, Attorney for Nominal Defendant Gaylord Container Corporation.

JUDGES:

STRINE, Vice Chancellor.

FIGURE 8.2 Continued

OPINION BY:

STRINE

OPINION.

[\*72]

MEMORANDUM OPINION

STRINE, Vice Chancellor

Nearly four years into this purported class action, this court confronts the question of whether a class should be certified. n1 The answer to that question turns on whether the plaintiffs' Unocal claims allege [\*2] special injury, justifying a characterization of them as stating individual, as well as derivative, claims. In this opinion, I conclude that the complaint does state individual claims and therefore that class certification is appropriate.

-----Footnotes-----

n1 Sadly, this motion has been litigated at a quite torpid pace. I note that Court of Chancery Rule 23(c) requires that the court shall determine whether an action shall be maintained as a class action "as soon as practicable after the commencement of an action brought as a class action." In this case, the class certification motion was filed December 22, 1997 and lay dormant until I raised the issue at a scheduling conference. Needless to say, the resolution of this motion is later than practicable. Regrettably, this case is just one of many purported class actions in which the class certification issue has not been presented in compliance with Rule 23(c), a problem of which the members of this court are aware.

-----End Footnotes-----

I.

The facts necessary to resolve this motion are drawn from [\*3] the complaint.

Defendant Gaylord Container Corporation ("Gaylord") manufactures and distributes prosaic items such as corrugated containers and grocery bags, without which America's consumerist economy would function quite clumsily. Before 1995, Gaylord's certificate of incorporation provided for two classes of common stock: Class A and Class B. When the two classes voted together, each Class A share was entitled to one vote and each Class B share was entitled to ten votes.

Figure 8.3

The output of the filtering engine where the underlined texts are filtered out paragraphs, and the bold texts represent the paragraphs that need to be mapped.

File Name: Gaylord Container.tif

IN RE: GAYLORD CONTAINER CORPORATION SHAREHOLDERS LITIGATION

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Lewis H. Lazarus, Esquire, of MORRIS, JAMES, HITCHENS & WILLIAMS, Attorney for Nominal Defendant Gaylord Container Corporation.

JUDGES:

FIGURE 8.3 Continued

STRINE, Vice Chancellor

OPINION BY:

STRINE

OPINION

[\*72]

MEMORANDUM OPINION

STRINE, Vice Chancellor

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### FIGURE 8.3 Continued

votes.

As of the beginning of 1995, Gaylord's founder, Chairman, and Chief Executive Officer, defendant Marvin A. Pomerantz, owned over 85% of the Class B stock, giving him 62% of the company's total voting power. Other Gaylord directors and officers held another 12% of the company's total voting power. As a result, Gaylord management wielded firm control over the company. Collectively, I will refer to Pomerantz and the other management holders as the "Management

Holders" [\*73] and their combined stockholdings as the "Management Block."

In the late 1980's, Gaylord, like many businesses, began to suffer from the adverse effects of a recession. By 1991, Gaylord was unable to meet its debt obligations. As a result, it embarked [\*4] on a pre-packaged financial restructuring pursuant to Chapter 11 of the federal Bankruptcy Code. The restructuring was consummated in September 1992.

As part of the restructuring, Gaylord was required to issue significant equity in the form of warrants and common stock to its creditors. Compl. P 15. Most important, Gaylord was required to agree to a potential restructuring of its Class A and Class B common stock. The potential restructuring provided that if Gaylord's Class A stock did not reach and maintain a prescribed trading price then the outstanding Class B stock would automatically become Class A stock on July 31, 1995. The effect of such an occurrence would be to reduce the Management Holders' total voting strength from 74% to 20%.

As a result, Gaylord stockholder votes would no longer be controlled by the Management Holders.

By 1995, Gaylord's performance had improved substantially. Yet, its stock price had not reached the level sufficient to ensure that the Class B stock would not be eliminated. In late spring and early summer 1995, the Gaylord board of directors (the "Board") realized that the Management Holders would soon lose voting control of the company. According [\*5] to the complaint, the Board therefore developed a strategy designed to maintain the Management Holders' continued control of the company.

The strategy began with the Board's adoption of a shareholder rights plan (the "Rights Plan," a.k.a., "poison pill") on June 15, 1995. Suffice it to say, the Rights Plan made it economically impractical for any possible acquiror to obtain control of Gaylord without the Board's approval.

The strategy was furthered by the Board's July 7, 1995 decision to call a stockholder meeting for July 21, 1995. The date of the meeting was significant, because it enabled the Management Holders -- who were due to lose voting control on July 31, 1995 -- to control the outcome of the vote.

The meeting was called for the purpose of voting on proposed charter and bylaw ...

#### Figure 8.4

The mapping of the paragraphs onto the different nodes of the relevant modular structure of knowledge.

#### **In re Gaylord Container Corp. Shareholders Litigation , 1996 Del. Ch. LEXIS 149**

The reason for subjecting a defensive device to enhanced scrutiny is that a board will inevitably have a conflict of interest when responding to a threat to control. n5 Although the Gaylord board was not responding to a specific takeover threat, it was responding to its loss of voting control and consequent vulnerability to hostile takeover. The inference that the board's primary purpose was entrenchment cannot be ruled out until the board satisfies the burden of justifying its defensive actions.

One cannot conclude from the face of the complaint that the combined effect of the rights plan and the amendments is within the range of reasonableness. Since the amendments are arguably disproportionate to their purported purpose, the circumstances permit an inference that entrenchment was their true purpose. The proper course in the circumstances alleged in the complaint is to deny the motion to dismiss, permit the plaintiffs to pursue discovery, and give the defendants an opportunity to satisfy the enhanced scrutiny standard. The court will then have a better basis to determine whether the board took proper precautions to protect stockholders from coercive takeover tactics or, as the plaintiffs claim, acted primarily to keep control.

#### **Charter and Bylaws Amendment**

In its proxy statement, the board explained that the purpose of the proposed charter and bylaw amendments was to increase the effectiveness of the shareholder rights plan by preventing a person who controlled a majority of the voting stock, but less than two-thirds, from circumventing the plan. The board disclosed that the proposed amendments would have an entrenching effect and that Mr. Pomerantz controlled [\*4] sufficient votes to approve them.

Because the burden of justifying its action shifts to the board under the enhanced scrutiny standard, a complaint challenging a board's use of a defensive device will usually survive a motion to dismiss. n6 But it does not necessarily follow that ....



FIGURE 9

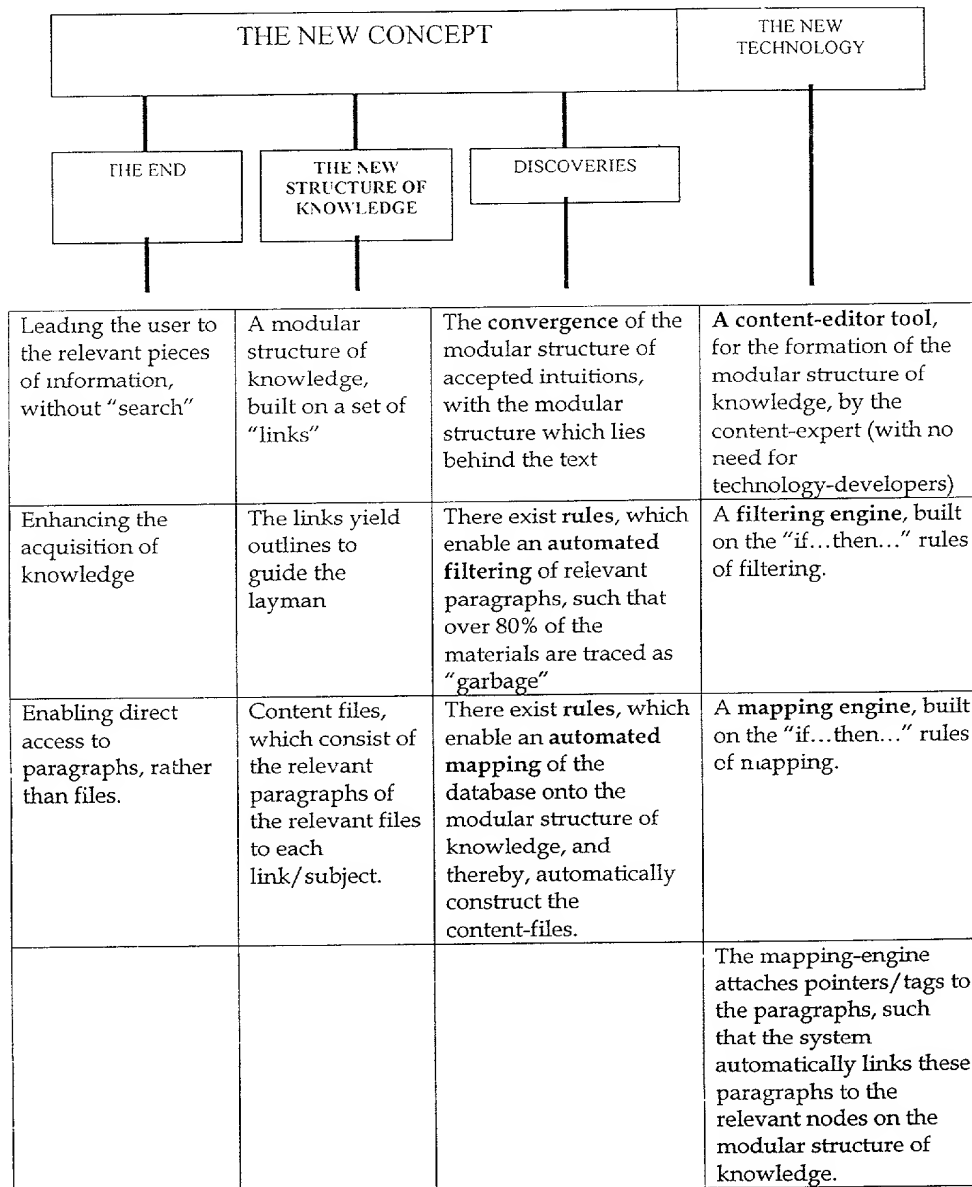


FIGURE 9 Continued

Constructing the requisite technology, to enable an automated achievement of the above ends.	Clusters of meaning: word-groups, professional terminology, and visual presentations.	The mapping rules work through the clusters of meaning.	The mapping engine is further attuned to the clusters of meaning: assigning various weights to various paragraphs, according to their degree of relevance, etc.
			A smart search-engine, which combines the smartness of the platform within simple search processes.

FIGURE 10

	Title	Description
The Modular Structure Of Knowledge		
	Lends Itself To Automation	The extraction of the modular structure from the texts enables the automated retrieval of relevant paragraphs from within relevant files
	Lets Go Backwards	The modular structure guides the user <i>from concise knowledge to more elaborate information</i>
	Reflects Knowledge	The invention reorganizes the database onto a <i>modular structure that reflects knowledge.</i>
	Dynamic	The modular structure remains updated as data is invoked dynamically from the database itself
	Convergence	The modular structure converges with the accepted intuitions and terminology of content specific textual sources.
Content - Oriented Databases		
	Automated Reorganization Of Knowledge	The invention enables an automated process that includes filtering, slicing and patching of paragraphs and mapping the knowledge on the modular structure
	Content-Oriented	The folders are allocated according to the modular structure of knowledge.
	Made Up Of Links	The invention's database contains only the links of the modular structure. This setting leaves the database flexible and open to updates.
	Virtual Retrieval	The invention's platform achieves virtual retrieval of knowledge using pre made reorganization of the database.
	Fragmental	The invention's platform facilitates access to relevant fragments from within relevant files.
User Interface		
	Content Files	The invention defines <i>content-files</i> . The content-file is a <i>"multiple windows"</i> window, which automatically integrates all of the relevant fragments of the relevant source-files within one virtual file.
	Integration	The invention provides an innovative integration of three modes of knowledge presentation on one screen a modular structure of knowledge, content-files, and visual presentations.
	Time Efficient	The user is able to retrieve the relevant pieces of information in <i>just a few clicks</i> (6-10 clicks).
	No Need To Search	The interface guides the user to the relevant files using the modular structure, outlines and visual presentations.
	Responsive	The user is invited to choose among several different contexts that might match his/hers specific point of reference
	Knowledge Acquisition	The multiple ways of presentation promote knowledge acquisition.